

IRS News Release

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Government to Stop Collecting Long-Distance Telephone Tax

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WASHINGTON — The Internal Revenue Service today announced that it will stop collecting the federal excise tax on long-distance telephone service.

The tax on telephone services was first imposed in 1898. The current rate is 3% of the charges billed for these services. The IRS announcement follows decisions in five federal appeals courts holding that the tax does not apply to long-distance service as it is billed today.

Taxpayers will be eligible to file for refunds of all excise tax they have paid on long-distance service billed to them after Feb. 28, 2003. Interest will be paid on these refunds.

Taxpayers will claim this refund on their 2006 tax returns. In order to minimize burden, the IRS expects to announce soon a simplified method that individuals may use.

“So taxpayers won’t have to spend time digging through old telephone bills, we’re designing a straightforward process that taxpayers may use when they file their tax returns next year,” said IRS Commissioner Mark W. Everson. “Claiming a refund will be simple and fair.”

The IRS announcement does not affect the federal excise tax on local telephone service, which remains in effect. Likewise, various state and local taxes and fees paid by telephone customers are also unaffected.

More information can be found in IRS Notice 2006-50, posted on IRS.gov. It will also be published in Internal Revenue Bulletin 2006-25, dated June, 19, 2006.